

Committee of Education and the Workforce
The College Cost Reduction Act
Bill Summary

TITLE I – TRANSPARENCY

Part A – Definitions

- **Definitions:** Establishes definitions for terms relevant to the bill, including “CIP code,” “credential level,” “program of study,” “program length,” “time to credential,” and “value-added earnings.”

Part B – College Costs and Financial Value

- **Financial aid offers:** Builds off the *College Cost Transparency and Student Protection Act* (Rep. McClain (R-MI)) and the *Understanding the True Cost of College Act* (Reps. Kim (R-CA), Krishnamoorthi (D-IL), and Gottheimer (D-NJ)) to require the Secretary of Education (Secretary) to create a standardized financial aid offer form that includes standardized definitions and terminology, formatting requirements, and information for students and families.
- **College Scorecard and Postsecondary Data System:** Streamlines the overwhelming maze of information available to students and parents by requiring the Secretary to update and maintain the College Scorecard website with key information about colleges and universities.
 - **Aggregated Information and Statistics:** Requires the College Scorecard to include aggregated, program-level statistics on college costs, financial aid, and student outcomes, as well as allow students to create customizable comparisons of degree and certificate programs offered at institutions of higher education (IHEs). Requires the College Scorecard to also include a universal net price calculator, similar to the *Net Price Calculator Improvement Act* (Rep. Guthrie (R-KY)).
 - **Data Collection:** Authorizes the Commissioner of Education Statistics to develop a secure, privacy-protected postsecondary data system for purposes of collecting and reporting information on students receiving federal financial assistance.

TITLE II – ACCESS AND AFFORDABILITY

Part A – Financial Need

- **Amount of Need; Median Cost of College:** Caps the total amount of federal student aid a student can receive annually at the “median cost of college,” defined as the median cost of attendance for students enrolled in similar degree programs nationally and calculated by the Secretary using data from the previous award year.

Part B – Financial Aid

Subpart 1 – Grants

- **Federal Pell Grant Program:** Builds off the bipartisan *Pell Plus Act of 2023* (Rep. Joyce (R-OH) and Rep. Kilmer (D-WA)) to establish a “Pell Plus” program, which provides enhanced Pell Grants to students enrolled in eligible bachelor’s degree programs during their junior and senior years, provided they are on track for on-time completion. IHEs participating in Pell Plus must also ensure their programs value-added earnings clear a set threshold, similar to the *Bipartisan Workforce Pell Act* (Reps. Stefanik (R-NY), DeSaulnier (D-CA), Foxx (R-NC), Scott (D-VA)).
- **Campus-Based Aid Programs:** Sunsets the Federal Supplemental Education Opportunity Grant program and the Leveraging Education Assistance Program and replaces them with a new performance-based “PROMISE” grant program.
 - Funding Formula: Similar to the existing campus-based aid programs, PROMISE Grants are determined by a formula to the institution. The PROMISE Grant formula rewards colleges for strong earnings outcomes, low tuition, and enrolling and graduating low-income students. The maximum amount an IHE can receive under the PROMISE program each year is capped at \$5,000 per federal student aid recipient.
 - Flexible Use of Funds: Provides IHEs flexibility to use funds to improve college affordability, college access, and student successes in ways that best suit the needs of their students and the institution. IHEs are required to report and evaluate how funds are used, as well as disseminate best practices based on those evaluations.
 - Source of Funding: PROMISE Grants would be funded first using risk-sharing payments made by IHEs under Title III of the bill; if such funds are insufficient, the bill authorizes approximately \$2 billion in funds currently appropriated for the campus-based aid programs to cover the shortfall. If funding is still insufficient after risk-sharing payments and discretionary appropriations are applied, the Secretary is authorized to prioritize grants based on the percentage of low-income students enrolled at the IHE.

- **Maximum Price Guarantee:** In order to be eligible for Pell Plus or the PROMISE grant program, colleges must provide prospective students a guaranteed maximum total price for an entire degree program that will not increase in subsequent years for as long as the student is enrolled at the institution (up to six years or the institution’s median time to completion, whichever is less).
 - Pell Plus: IHEs participating in Pell Plus must ensure that the maximum price charged to Pell Grant recipients for a given program does not exceed the typical value-added earnings of former students who completed such program.
 - PROMISE Grants: In order to receive a PROMISE Grant, IHEs must determine the maximum total price for each program of study offered by the IHE for categories of students based on their family income and financial need, as determined by the Free Application for Federal Student Aid (FAFSA).

Subpart 2 – Loans

- **Loan Limits:** Simplifies and streamlines the types of federal student loans offered to students and allows annual loan limits to vary by program.¹
 - Aggregate Limits: Caps aggregate student loan limits at \$50,000 for undergraduate students (up to \$23,000 of which can be subsidized loans), \$100,000 for graduate students, and \$150,000 for students in graduate professional programs. Additionally, the bill allows undergraduates enrolled in certain qualifying programs subject to federally regulated licensure requirements to exceed the aggregate undergraduate loan limit if the program demonstrate strong student outcomes as relates to employment and completion, similar to the bi-partisan *Flight Education Access Act* (Reps. Allred (D-TX), Cohen (D-TN), and Chavez-DeRemer (R-OR)). Caps the total aggregate amount of federal loans a student can borrow at \$200,000.
 - Annual Limits: Replaces arbitrary and outdated borrowing caps with flexible loan limits that vary by degree program; caps the total annual borrowing amount at the “median cost of college” of the program a student is enrolled in (discussed below) and provides financial aid administrators with additional flexibility to lower loan limits for certain categories of borrowers and the earnings and repayment outcomes of

¹ Under current law, the maximum combined amount of Direct Subsidized and Direct Unsubsidized Loans that undergraduate students borrow annually is between \$5,500 and \$12,500 (\$31,000 to \$57,500 in aggregate), depending on your year in school and your dependency status. For graduate/professional students, annual limits are generally \$20,500 (higher for some medical professions) in Direct Unsubsidized Loans each academic year (\$138,500 in aggregate including undergraduate loans; up to \$224,000 for professional students). However, both graduates and parents of dependent undergraduates have access to PLUS loans, which have no annual cap other than what the school determines is the students cost of attendance; there is no aggregate cap on PLUS loans.

graduates, similar to the *Responsible Borrowing Act of 2023* (Rep. Grothman (R-WI)).

- **PLUS Loans:** Sunsets the Grad PLUS and Parent PLUS loan programs, which currently allow borrowers to take on effectively unlimited amounts of debt.
- **Loan Repayment:** Based on the *Federal Assistance to Initiate Repayment (FAIR) Act* (Rep. Owens (R-UT)), pares down the confusing array of federal student loan repayment plans to two plans: a standard 10-year “mortgage-style” plan and one income-driven repayment (IDR) plan dubbed the “repayment assistance plan”. Current borrowers paying under one of the existing fixed repayment plans eliminated under the bill will be able to continue paying under those plans or choose to pay under the standard 10-year plan or the new repayment assistance plan.
 - **Repayment Assistance Plan:** New and current borrowers choosing the IDR assistance plan must pay 10 percent of their annual income above 150 percent of the federal poverty line (currently \$21,870 for a single individual). However, borrowers who make on-time, monthly payments will see at least half their payment applied to their loan’s principal, even if the payment does not fully cover accrued interest; any remaining unpaid interest is waived. Caps the total amount of payments borrowers are required to pay at the amount of principal and interest owed under the standard 10-year plan; this policy is also retroactive, applying to both new borrowers and those currently in repayment.
 - **Secretarial Prohibition on New Repayment Plans:** Prohibits the Secretary from creating new repayment plans and from modifying an existing repayment plan in a manner that increases costs to the government.
- **Loan Rehabilitation:** Permits defaulted loans to go through the established process of loan rehabilitation twice,² rather than just once, thereby providing an incentive for defaulted borrowers to get back into the habit or repaying their loans.
- **Interest Capitalization:** Stops the predatory practices of the federal government under the student loan program by eliminating all instances of interest capitalization for current and new borrowers effective upon enactment.
- **Origination Fees:** Includes the bipartisan *Student Loan Tax Elimination Act* (Rep. Smucker (R-PA)), which eliminates the administrative origination fees on new student loans.

² Loan rehabilitation is the process whereby a borrower brings his or her defaulted loan back into good standing by making nine on-time payments in 10 months and, in doing so, removes the black mark of the defaulted loan from the borrower’s credit report.

TITLE III – ACCOUNTABILITY AND STUDENT SUCCESS

Part A – Accountability

- **Agreements with Institutions:** Requires IHEs, rather than taxpayers, to be financially responsible when loans go unpaid. IHEs will be required to compensate the government annually for a portion of the unpaid interest and principal on the loans associated with their former students based on the total price the institution charges students for a program of study and the value-added earnings of students after they graduate or, in the case of students who do not graduate, the IHE's completion rate.
 - Penalties for Late or Missed Payments: Establishes escalating penalties for late payments, starting with requiring IHEs to pay interest on late risk-sharing payments and scaling up to loss of Title IV eligibility.
 - Relief for Voluntary Program Closure: Waives 50 percent of risk-sharing payments due for a given program if an IHE voluntarily agrees to cease disbursement of federal student loans for the program (or a substantially similar program) for 10 years.
- **Regulatory Relief:** Repeals expansive regulations and streamlines onerous requirements placed on IHEs including:
 - 90/10 Rule: Repeals current regulations and eliminates authority for any future regulations.
 - Financial Value Transparency and Gainful Employment: Repeals current regulations by the Secretary and eliminates authority for any future regulations.
 - Changes in Ownership: Includes the *Change of Ownership and Conversion Improvement Act* (Rep. Owens and Rep. Miller Meeks), which repeals current regulations and reforms the process to require IHEs to pay an administrative fee when submitting change of control and conversion applications; these fees will be used by ED and the IRS to hire staff and reduce the application processing time as well as conduct oversight.
 - Financial Responsibility: Repeals current regulations and clarifies circumstances in which ED determines whether an institution is financially responsible; requires ED to undergo a new rulemaking process to update the financial responsibility ratios no later than 18 months after enactment.
 - Incentive Compensation: Clarifies that a third-party providing recruiting or admissions activities for an institution as a part of a larger bundle of services may receive a commission, bonus, or other incentive payment. To receive such a

payment, the third party may not provide an incentive-based payment to its employees or subcontractors or award or disburse federal financial aid awards.

- Third-party Servicer: Affirms the definition of third-party servicer to be an entity that contracts with an institution to administer any aspect of the institution's Title IV student assistance programs, but not any entity which conducts activities or interacts with prospective or enrolled students for the purposes of marketing or recruiting, assisting with completion of applications for enrollment, administering ability-to-benefit tests, conducting activities for student retention, and providing instructional content or developing curricula or course materials. Prohibits the Secretary from regulating the definition of third-party servicer.
- Other Repeals: Repeals new regulations issued by ED related to closed school discharges, borrowers defense to repayment, pre-dispute arbitration, false certification, administrative capability, certification procedures, and ability to benefit, as well as guidance related to personal liability for owners of proprietary institutions. Prohibits any substantially similar regulation on these topics from being issued by ED.
- **Limits on Secretary's Authority**: Includes the *Protecting Taxpayers from Student Loan Bailouts Act* (Rep. Grothman (R-WI)), which requires the Secretary to confirm that any new regulations or executive actions issued related to the student loan program will not increase costs to the federal government. Prohibits any regulations from being issued that cannot meet that threshold.
- **Office of Federal Student Aid**: Clarifies federal preemption of state laws that conflict with federal requirements for, and the operations of, federal student loan servicers and requires the Office of Federal Student Aid (FSA) to provide student loan servicers actionable guidance related to new operations and information about any modifications to contracts at least 30 days before such changes take effect, as included in the *FAIR Act*. Prohibits any actionable guidance to student loan servicers outside of formal contract modifications and Dear Colleague letters and clarifies that all other formats of guidance such as phone calls and emails are non-binding.
- **Accreditation Reform**: Creates a new marketplace for accreditation by giving states the flexibility to designate industry-specific accreditors, provides an on-ramp for capable new accreditors, and directs accreditors to focus on student outcomes to guide accreditors' quality assurance reviews.
 - Repeals Regional Monopoly on Accreditation: Aligns with 2019 Trump administration regulations and redefines that an accreditor can operate within a state or nationally and as an institutional or programmatic accreditor.

- Separate and Independent: Requires an accreditor to be both administratively and financially separate from, and independent of, any related or affiliated trade association or membership organization.
- Business Representation: Requires an accreditor's board or governing body to have at least one public member representing business and a minimum of one public member representing business for every six members of the accreditor's board or governing body. Public members cannot be a member of any related or affiliated trade association or membership organization.
- Board Conflicts of Interest: Requires each accreditor to establish guidelines for members of the board or governing body to avoid conflicts of interest, ensuring no member is an employee of any institution accredited by the agency, or no member has a financial interest in any of the accredited institutions.
- Emphasis on Outcomes: Increases institutional and program of study accountability by specifying that an accreditor must establish student achievement outcomes standards to assess the quality of institutions and programs of study, including an program of study's median total price relative to the median value-added earnings of graduates; learning outcomes measures, such as competency attainment; labor market outcomes, such as employer satisfaction and employment rates; and student success outcomes, such as completion rates and loan repayment rates.
- State Designation: Builds off the *Higher Education Reform and Opportunity Act* (Rep. Roy (R-TX)) to allow a state to designate an entity, such as an industry-specific quality assurance entity, for a five-year period to be an accreditor for the purposes of verifying the quality of degrees and credentials eligible for Title IV funding. Requires a state to submit a plan to the Secretary describing the process the state used to select the entity for designation, a justification of the state's decision, a description of any of the additional requirements that the state imposed on the entity as a condition of receiving and maintaining the designation, a copy of the policies and procedures of the entity, the state's assessment of how the designated entities' standards will be effective in holding institutions accountable, and evidence that at least one other state has determined the accreditor to be a reliable authority for being a Title IV accreditor. Directs the Secretary to approve and respond to the state's plan and publish the plan and Secretary's response in the *Federal Register* for a 30-day public comment period. Requires a state to submit a report at the end of the five-year period that contains completion data for the designated accreditor's institutions and programs overseen disaggregated by type of credential, certification, or degree.
- Accelerated Path to Recognition: Allows prospective accreditors to be recognized by the Secretary before the customary timeframe of two or more years if the prospective

accreditor can demonstrate it has at least one year of experience making accreditation decisions, meets the criteria required, and agrees to submit monitoring reports.

- Developing Common Terminology: Directs the Secretary to convene a panel to develop common terminology for accrediting decisions, such as a common understanding of monitoring, warning, show cause, and other relevant status, so the public and institutions have a better understanding of accreditors' actions.
- Review of Substantive Changes: Requires accreditors to only review substantive changes that significantly impact the institution's educational mission, change in legal status, control, or ownership, and new programs at a higher credential level than already offered at an institution, and when an institution enters into a contract with an organization providing a certain amount of educational instruction.
- Accreditation Actions and Transparency: Requires accreditors to post all actions taken by the accreditor and a summary of why any adverse actions were taken. Directs accreditors to confirm an institution does not deny transfer of credit solely on the accreditation of the institution where the credit was earned. Requires accreditors to post on their websites for public inspection a list of all institutions accredited by the agency, the year the accreditation was granted, the date of the most recent comprehensive evaluation, and the anticipated date of the next evaluation.
- Prohibition on Litmus Test Standards: Includes the *Accreditation for College Excellence Act* (Rep. Owens (R-UT)), which prohibits accreditors from requiring the institutions and programs they accredit to meet any litmus tests, such as requiring adherence to diversity, equity, and inclusion standards, as a condition of accreditation.
- Respect for Governance: Prohibits accreditors from assessing the roles of elected and appointed state and federal officials and legislative bodies.
- Credential Inflation: Prohibits an accreditor from requiring an institution to develop a degree program, certificate, or credential that is not in response to the needs of an industry or occupation.
- Longer Recognition for High Performing Accreditors: Allows the Secretary to recognize an accreditor for up to an additional three years if the accreditor has the proven capability and has maintained compliance.
- Closing the "Elastic Loophole": Prohibits the Secretary from establishing any additional criteria for accreditors. Limits the standards institutions or programs must meet to be Title IV-eligible to those standards in the law.

- Change of Accreditor: Allows any institution or program of study not under sanction by their accreditor or a state agency to change accreditors without the approval of the Secretary, including when an institution is changing accreditors to follow state law.
- Dual Accreditation: Requires the Secretary to recognize if an institution chooses to be accredited by more than one accreditor and allows an institution to change the designation of which accreditor determines its Title IV eligibility at the end of the institution's recognition period.
- Treatment of Religious Institutions: Requires an accreditor to consistently apply and enforce standards that respect an institution's religious mission by basing decisions only on the standards of accreditation. Prevents an accreditor from using policies of an institution that reflect the institution's religious mission as a negative factor in meeting certain required standards. Provides institutions the option to file a complaint with the Secretary if the institution believes that an accreditor's adverse action is based on the institution's religious mission.
- Risk-Based Review Process: Requires an accreditor to develop an annual process to identify institutions or programs of study not meeting accreditation standards and help the struggling institutions or programs of study remedy the performance issues. Directs accreditors to also establish a risk-based review process to assess compliance based on how well an institution or program is performing. Requires an accreditor to categorize each institution or program using methods such as peer benchmarking to understand the institution's or program's performance in comparison with its peers. Allows accreditors to take actions to avoid or minimize the risk of an institution with declining performance that has not improved, such as limiting program enrollment, before the accreditor revokes accreditation. Allows accreditors to reduce compliance requirements for institutions or programs of study meeting or exceeding performance standards. Prohibits any risk-based review process from discriminating against an institution based on the institutional sector, including an institution's tax status.
- **National Advisory Committee on Institutional Quality and Integrity (NACIQI)**: Disqualifies an individual from being an appointed member to NACIQI if the person has a significant conflict of interest that will require that individual to frequently recuse himself or herself and requires recusals to be published in each NACIQI agenda. Narrows the function of NACIQI to only the functions listed in statute. Reauthorizes NACIQI until September 30, 2028.
- **Alternative Quality Assurance Experimental Site Initiative**: Establishes a voluntary experimental site initiative for five years to evaluate whether institutions and non-institution education providers can maintain high student achievement outcomes for the purposes of receiving Title IV funding without being accredited by a Department-recognized accreditor.

Part B – Student Success

- **Postsecondary Student Success Grants:** Codifies and reforms the existing Postsecondary Student Success Grant at the most recently appropriated level of \$45,000,000 for fiscal year 2025 through fiscal year 2030. The competitive grant would support institutions, partnerships between institutions and non-profit educational organizations, or a consortium of institutions, in implementing, replicating, and further evaluating evidence-based completion and retention activities designed to ensure the postsecondary success of high-need students.
 - Establishes three tiers of evidence-based reforms or practices distinguishing each tier based on the amount of prior research that suggests the reform or practice has promise of successfully improving student achievement or attainment for high-need students.
 - Reserves 2 percent of the funds to increase the participation and completion rates of Tribal College and University high-need students.
 - Requires applicants to submit a plan to increase achievement and completion, including a description of which evidence tiers would be met by the reforms or practices to be carried out, a description of how the proposed project will serve high-need students, annual benchmarks for student outcomes of the reforms or practices, and a plan to evaluate the reforms or practices.
 - Reserves not less than 20 percent of the grant awards to eligible entities that propose to include at least one reform or practice that meets evidence tier three.
 - Requires funds to be used for evidence-based reforms or practices for improving retention and completion rates, such as real-time data on student progress and improving transfer student success; direct student support services, including a combination of tutoring, other academic support, and emergency financial assistance; efforts to prepare students for a career, such as networking opportunities, career counseling, and work-based learning opportunities.
 - Requires the Secretary to evaluate the effectiveness of the reforms and practices carried out by the grantees, disseminate information on the impact of these activities on increasing completion and retention of students, and submit a report to Congress.

- **Reverse Transfer Efficiency Act:** Includes Rep. John Curtis' H.R. 4179, the *Reverse Transfer Efficiency Act*, a bipartisan bill to allow an institution to release education records to another institution to facilitate the awarding of a recognized postsecondary credential to students for the learning they have completed, as long as the student provides written consent prior to receiving the credential.

- **Transparency and Fairness in Transfer Credit Policies:** Requires each Title IV participating institution to publicly disclose its transfer of credit policies regarding acceptance or denial of academic credit earned at another institution and prohibits the institution from establishing a transfer of credit policy that denies credit earned at another institution based solely on the source of accreditation of the sending institution.